

and their employers would have to pay in somewhat more than the value of their own pensions in order to provide pensions of reasonable size to those who would retire soon after the program began. The 1950 amendment to the Social Security Act significantly lowered the cost-benefit ratio for young workers because of the substantial increases in benefits made at that time. Since 1950, cost-benefit ratios have risen from 100 percent to their present high levels primarily because of new programs widening the coverage, higher minimum benefits, and the maturing of the system.

TABLE 4.—COST-BENEFIT RATIOS FOR NEW ENTRANTS UNDER PROGRAMS EXISTING AT TIME OF ENTRY

Starting date at age 22	Total value of expected taxes ¹	Total value of expected taxes for old-age insurance alone ²	Annual pension scheduled for man and wife	Value of expected pension for 14 years ³	Expected cost-benefit ratio (col. 3 divided by col. 5)
(1)	(2)	(3)	(4)	(5)	(6)
1937.....	\$14,776	⁴ \$14,776	\$1,020	\$11,101	133
1950.....	19,665	15,732	1,440	15,672	100
1960.....	43,509	34,807	2,285	24,879	140
1965 ⁵	47,877	38,302	2,285	24,879	154
1967.....	68,076	54,461	3,024	32,911	166
Under proposed 1967 amendments:					
1968.....	109,449	87,559	4,440	48,321	181
1974.....	118,813	95,050	4,536	49,366	193

¹ Compounded at F-bond rates of interest until 1963 and 4 percent thereafter.

² 80 percent of col. 2.

³ Discounted at 4 percent interest.

⁴ The social security system did not include survivors and disability insurance in 1937.

⁵ Prior to amendments of 1965.

Recently proposed amendments to the Social Security Act would increase further the cost-benefit ratios of young workers. Table 4 shows that under H.R. 5710, the amendment to the Social Security Act proposed in 1967, the cost-benefit ratio for a young married worker paying the maximum in taxes would rise to 193 percent by 1974.⁴ This law would increase minimum benefits from \$66 to \$105.

What can be definitely said about the current tax and benefit schedules is that benefits must be increased in the future if young persons today are going to get their money's worth. But, if benefits are increased in the future, will payroll tax rates also have to be increased? This will depend primarily on the extent to which growth in the labor force and increases in the productivity of labor can support the required increases in revenues without an increase in tax rates. Also, it will depend on whether or not the maximum wage base of the payroll tax is raised with increases in labor productivity. Under the present law, social security taxes automatically rise with the wages of persons earning less than the maximum wage base, but for other workers increases in the wage base require an act of Congress. During the past 30 years, the maximum wage base of the social security tax has been raised only four times.

⁴ H.R. 5710 also sets a ceiling of \$90 a month for benefits to nonworking wives—much less than half the maximum proposed primary benefit of \$288 per month. This would result in higher cost-benefits ratios for couples without a working wife.